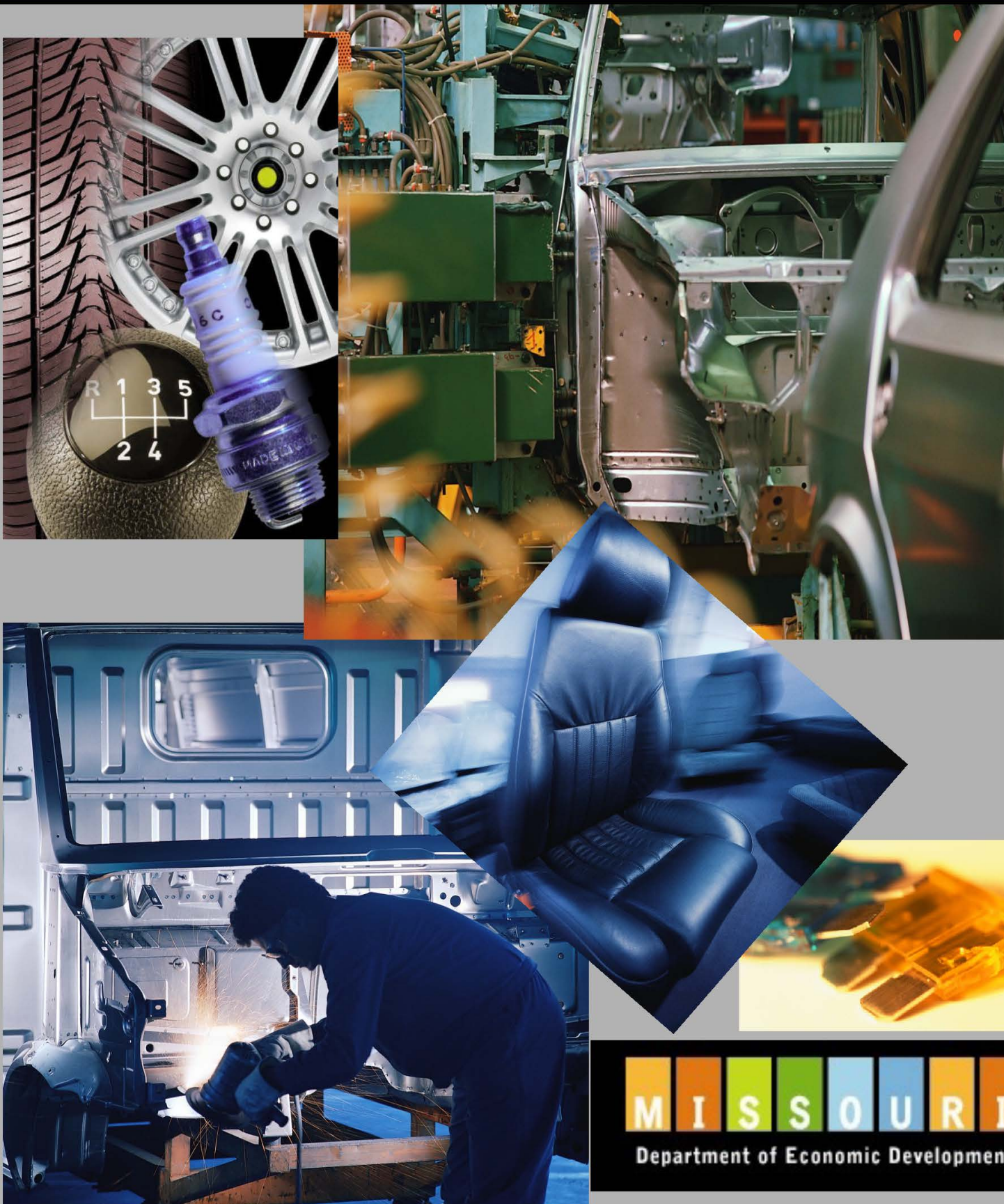


MISSOURI MANUFACTURING JOBS ACT

2012 ANNUAL REPORT



Missouri Automotive Manufacturing Jobs Act Annual Report for 2012

The Missouri Automotive Manufacturing Jobs Act was introduced and passed during the 2010 special session, and Section 620.1910, RSMo became effective on October 12, 2010. The purpose of the program is to allow “qualified manufacturers” or “qualified suppliers” that invest in next-generation production lines in existing Missouri facilities to retain the withholding taxes typically remitted to the state. During 2011, two qualified manufacturer projects were approved to participate in the program. Currently, the first year of benefits is scheduled for 2013. Three “qualified suppliers” accepted proposals for benefits under this program during calendar year 2012. However, as of this time the suppliers have yet to submit Notices of Intent.

Program Requirements

The program provides incentives for job retention to automotive manufacturing companies for a period of 10 years and for job creation to suppliers of automotive manufacturing companies in the state for 3 to 5 years, depending on the wages of the new jobs. A Notice of Intent (NOI) is submitted by the company, and the Department provides either an approval or denial within 30 days of receipt. Failure by the Department to provide a response within that timeframe is deemed an approval. Within six months of the NOI approval, a qualified manufacturing company is required to enter into an agreement with the department that memorializes the content of the NOI, the requirements of the program and the consequences for failing to meet such requirements.

“Qualified manufacturer” eligibility requirements are as follows:

- NAICS code is 33611;
- Manufacture goods at a facility in Missouri throughout the period in which the company receives benefits; and
- Make a capital investment of at least \$75,000 per retained job for a new product or \$50,000 per retained job for the modification or expansion of an existing product within two years of beginning to retain withholding taxes.

“Qualified supplier” eligibility requirements are as follows:

- Attest to the Department that it derives more than 10% of its total annual sales revenue from sales to a qualified manufacturing company;
- Adds five or more new jobs;
- Pays wages for the new jobs that are equal to or exceeds the county average wage for Missouri as determined by the department using the NAICS industry classifications but are not less than 60% of the statewide average wage; and
- Provides health insurance for all full-time jobs and pays at least 50% of the insurance premiums.

Annual Benefit

The benefits for the Missouri Automotive Manufacturing Jobs Act are retained withholdings for job retention under the “qualified manufacturer” or new jobs under the “qualified supplier”. Beginning January 1, 2012, a “qualified manufacturer” may retain 100% of the withholding taxes at the facility for 10 years if it manufactures a new product or retain 50% of withholding taxes for seven years if it modifies or expands an existing product.

The benefits for a “qualified supplier” are to retain 100% of the withholding taxes from new jobs for three years. If the “qualified supplier” pays wages for the new jobs that are equal to or greater than 120% of the county average wage for Missouri, as determined by the department using NAICS industry classifications, it can retain the withholding taxes for five years. The funding limit for this program is \$10 million per year for any one “qualified manufacturing” company and limits the aggregate amount of retained withholding taxes by all qualified manufacturing companies to \$15 million per year. There are no limits on the aggregate amounts for qualified suppliers under this program.

Currently, two “qualified manufacturing companies” are authorized for benefits—General Motors and Ford Motor Company. The maximum amount of retained withholdings of \$15,000,000 per year for qualified manufacturing companies has been authorized for General Motors and Ford Motor Co. for 2013 through 2022.

Economic and State Fiscal Impact

The estimated the economic and fiscal impact of the Missouri Automotive Manufacturing Jobs Act using the REMI Missouri Regional Economic Model. The two qualified manufacturing companies were calculated separately.

General Motors, Wentzville, MO

Annual average economic impact based on the retention of 1,348 jobs to the state is:

3,459	new JOBS each year with average wage of \$62,187
\$17.610	million new NET GENERAL REVENUES each year
\$245.531	million new PERSONAL INCOME each year
\$594.836	million new VALUE-ADDED / GSP each year
\$1,730.196	million new ECONOMIC OUTPUT each year

BENEFIT : COST ANALYSIS (includes only state revenue impacts)			
GENERAL MOTORS	CY 2012 ACTUAL	Other Fiscal Period (10 years)	<u>Derivation of Benefits</u>
BENEFITS			Investment: (a) \$102,000,000 in durable equipment spending in 2012 – 2013. Employment: (a) 0 new jobs in motor vehicle manufacturing. (b) 1,348 jobs retained in motor vehicle manufacturing at a specified wage rate of \$68,051 in 2013 – 2022. Other Assumptions: (a) real wage growth starting in 2013. Incentives: (a) authorized to retain estimated withholdings \$36,806,460 during 2013 – 2022. Maximum allowed \$50,000,000 (\$5 million per year) Impacts occur in the St. Charles Region. Assumptions provided by DED. Estimated using REMI-Regional Model (remi-fiscal_popv1.2.6-aug11)
Direct Fiscal Benefits	\$0	\$116,073,979	
Indirect Fiscal Benefits	\$0	\$60,025,366	
Total	\$0	\$179,099,345	
COSTS			
Direct Fiscal Costs	\$0	\$32,654,664	
Indirect Fiscal Costs	\$0	\$0	
Total	\$0	\$32,654,664	
BENEFIT: COST	N/A	5.39	

Missouri Manufacturing Jobs Withholding Estimate General Motors Wentzville

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Retained Jobs	1348	1348	1348	1348	1348	1348	1348	1348	1348	1348	
Average Wage	\$ 68,051	\$ 70,093	\$ 72,195	\$ 74,361	\$ 76,592	\$ 78,890	\$ 81,256	\$ 83,694	\$ 86,205	\$ 88,791	
Retained Payroll for WH	\$ 91,732,748	\$ 94,484,730	\$ 97,319,272	\$ 100,238,851	\$ 103,246,016	\$ 106,343,397	\$ 109,533,698	\$ 112,819,709	\$ 116,204,301	\$ 119,690,430	
Estimated MMJ withholding	\$ 3,210,646	\$ 3,306,966	\$ 3,406,175	\$ 3,508,360	\$ 3,613,611	\$ 3,722,019	\$ 3,833,679	\$ 3,948,690	\$ 4,067,151	\$ 4,189,165	\$ 36,806,460
Program Maximum (authorized)	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 50,000,000

Ford Motor Company, Claycomo, MO

Annual average economic Impact based on the retention of 3,850 jobs to the state is:

8,077	new JOBS each year with average wage of \$59,353
\$43.814	million new NET GENERAL REVENUES each year
\$498.358	million new PERSONAL INCOME each year
\$1,283.049	million new VALUE-ADDED / GSP each year
\$3,889.558	million new ECONOMIC OUTPUT each year

BENEFIT : COST ANALYSIS (includes only state revenue impacts)			
FORD MOTOR COMPANY	CY 2012 ACTUAL	Other Fiscal Period (10 years)	Derivation of Benefits Investment: (a) \$288,750,000 in durable equipment spending in 2012 – 2013. Employment: (a) 0 new jobs in motor vehicle manufacturing. (b) 3,850 jobs retained in motor vehicle manufacturing at a specified wage rate of \$61,708 in 2013 – 2022. Other Assumptions: (a) real wage growth starting in 2013. Incentives: (a) authorized to retain estimated withholdings \$91,828,531 during 2013 – 2022. Maximum allowed \$100,000,000 (\$10 million per year) Impacts occur in the Greater Kansas City Region. Assumptions provided by DED. Estimated using REMI-Regional Model (remi-fiscal_popv1.2.6-aug11)
BENEFITS			
Direct Fiscal Benefits	\$0	\$313,403,403	
Indirect Fiscal Benefits	\$0	\$124,733,190	
Total	\$0	\$438,136,593	
COSTS			
Direct Fiscal Costs	\$0	\$81,539,681	
Indirect Fiscal Costs	\$0	\$0	
Total	\$0	\$81,539,681	
BENEFIT: COST	N/A	5.37	

Missouri Manufacturing Jobs Withholding Estimate Ford Motor Company, Claycomo

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Retained Jobs	3850	3850	3850	3850	3850	3850	3850	3850	3850	3850	
Average Wage	\$ 61,708	\$ 63,559	\$ 65,466	\$ 67,430	\$ 69,453	\$ 71,536	\$ 73,683	\$ 75,893	\$ 78,170	\$ 80,515	
Retained Payroll for WH	\$ 237,575,800	\$ 244,703,074	\$ 252,044,166	\$ 259,605,491	\$ 267,393,656	\$ 275,415,466	\$ 283,677,930	\$ 292,188,267	\$ 300,953,916	\$ 309,982,533	
Estimated MMJ withholding	\$ 8,077,577	\$ 8,319,905	\$ 8,569,502	\$ 8,826,587	\$ 9,091,384	\$ 9,364,126	\$ 9,645,050	\$ 9,934,401	\$ 10,232,433	\$ 10,539,406	\$ 91,828,531
Program Maximum (authorized)	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 100,000,000